

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1236 - HB 1322

March 19, 2013

SUMMARY OF BILL: Prohibits any health insurance issuer, managed health insurance issuer, health maintenance organization (HMO), insurance company, hospital service corporation, hospital or medical service corporation, healthcare center, the state or its political subdivisions, or any other legal entity from denying any home infusion therapy services provider the right to be a participating provider in any policy, contract, or plan on the same terms as are offered to any other provider in any policy, contract, or plan. Prohibits any such entities from preventing any person which a party to a beneficiary of any policy, contract, or plan from selecting a home infusion therapy services provider of the person's choice to furnish the services offered under any contract, policy, or plan. Each entity is required to apply the same coinsurance, co-payment, deductible, and quantity limit factors within the same employee group and other plan-sponsored groups to home infusion therapy services provided by a home infusion therapy services provider. States that nothing shall prohibit such entities from offering multiple options or a choice of health insurance benefit plans including, but not limited to, cafeteria benefit plans.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$344,400

Increase Federal Expenditures - \$577,100

Increase Local Expenditures - \$2,400*

Assumptions:

- According to the Bureau of TennCare, requiring participating MCOs to contract with every home infusion therapy supplier that meets the criteria established by the bill will impact the TennCare programs expenditures.
- A managed care system is one in which an insurer can negotiate pricing and utilization by contracting with a select number of providers at a lower cost point in return for providing a larger volume of business. An "any willing provider" system can limit the MCOs ability to negotiate price based on volume of business.
- An "any willing provider" system can also impact the authorization requirements necessary to ensure that recipients do not access overlapping or duplicative services from multiple providers offering similar services.
- According to the Bureau, the requirements of the bill can be expected to increase costs by 20 percent. This estimation is based in part on a Government Accountability Office

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report relative to Medicare durable medical equipment suppliers. It is assumed that such increase would be applicable to home infusion therapy services.

- In FY11-12, the Bureau expended \$4,405,000 for home infusion therapy services.
- It is estimated that the Bureau will incur at least a 20 percent increase in home infusion therapy services costs which will result in an increase in expenditures of \$881,000.
- Of the \$881,000, \$303,945 will be state funds at a 34.5 percent rate and \$577,055 will be federal funds at a 65.5 percent federal match rate.
- According to the Department of Finance and Administration, Benefits Administration, the State Employee, Local Education, and Local Government health plans will incur increases in home infusion therapy services expenditures of at least 5 percent.
- In FY11-12, home infusion therapy services expenditures are expected to be at least \$1,366,018 for all three plans. A five percent increase in expenditures is \$68,301. This amount is applied to the three plans as follows:
 - State Employee Health Plan is \$36,883 ($\$68,301 \times .54$);
 - Local Education Plan is \$26,637 ($\$68,301 \times .39$);
 - Local Government Plan is \$4,781 ($\$68,301 \times .07$).
- The state covers 80 percent of the employees' health costs in the State Employee Health Plan resulting in an increase in state expenditures of at least \$29,506 ($\$36,883 \times .80$).
- The state portion of the Local Education Plan is 45 percent for Local Education instructional staff which is approximately 75 percent of LEA employees and 30 percent for support staff which is approximately 25 percent of LEA staff. The increase in state expenditures is estimated to be at least \$10,988 [$(\$26,637 \times .75 \times .45) + (\$26,637 \times .25 \times .30)$].
- Each local government that participates in the state sponsored health plan is responsible for paying a percentage of the costs which is determined by the local government. It is assumed that local governments will contribute at least 50 percent of the cost resulting in an increase in local expenditures that will exceed \$2,391 ($\$4,781 \times .50$).
- The estimated total increase in state expenditures is at least \$344,439 ($\$303,945 + \$29,506 + \$10,988$).
- The estimated total increase in federal expenditures is \$577,055.
- The estimated total increase in local expenditures is at least \$2,391.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb